



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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### **18 VAC 50-30 – Tradesman Rules and Regulations Department of Professional and Occupational Regulation January 20, 2001**

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The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

### **Summary of the Proposed Regulation**

The Board of Contractors proposes to add two licensed trades, liquefied petroleum gas fitting and natural gas fitting, to these regulations.

### **Estimated Economic Impact**

Under the current regulations, an individual must be licensed as a gas fitter to legally perform natural gas fitting or liquefied petroleum gas fitting for compensation. Only licensed HVAC tradesmen and plumbers may take the examination necessary to become a licensed gas fitter.

Under the proposed regulations, two new licensed trades exist, liquefied petroleum gas fitting and natural gas fitting. An individual may perform liquefied petroleum gas fitting for compensation if he obtains a liquefied petroleum gas fitting license; and an individual may perform natural gas fitting for compensation if he obtains a natural gas fitting license. In order to obtain a liquefied petroleum gas fitting license or a natural gas fitting license, the applicant must

pass a liquefied petroleum gas fitting licensure exam or a natural gas fitting licensure exam, respectively.<sup>1</sup> Prior to taking either examination, the applicant must meet one of four specified combinations of experience and education relevant to his field. Unlike the gas fitter licensure examination, the applicant is not required to be a licensed HVAC tradesman or plumber prior to taking either the liquefied petroleum gas fitting licensure exam or the natural gas fitter licensure exam.

Adding the liquefied petroleum gas fitting and natural gas fitting licensed trades to the regulations will potentially be beneficial for people who wish to specialize in such work, consumers, and certain businesses, but may be detrimental for currently licensed gas fitters. Individuals who wish to perform natural gas fitting or liquefied petroleum gas fitting for compensation may obtain licensure to do such work by demonstrating knowledge and experience relevant to the work. But unlike under the current regulations, they would not be required to expend the time and dollars necessary to first become a licensed plumber or HVAC tradesman. Thus, individuals who wish to do only natural gas fitting or liquefied petroleum gas fitting work, but not other plumbing or HVAC work, will save time and money.

There are likely some people who are willing to spend the time and dollars necessary to obtain the knowledge and experience needed for natural gas fitting or liquefied petroleum gas fitting licensure if prior HVAC or plumbing licensure is not required, but would not be willing to spend the time and dollars necessary to obtain the knowledge and experience needed for HVAC or plumbing licensure and gas fitting licensure. Thus, the creation of the two new licensed trades will likely increase the supply of natural gas fitting and liquefied petroleum gas fitting services. The increased supply of services may result in lower market prices for the services, which would be beneficial for consumers. Also, some businesses that are not direct consumers of gas fitting services may benefit from the potential lower prices of gas fitting services. For example, a consumer considering the purchase of gas logs will consider the cost of installation in their purchase decision. If the cost of gas fitting is lower, the merchant may be able sell more gas logs at a fixed price for the product. On the other hand, the current providers of natural gas fitting and liquefied petroleum gas fitting services, plumber-gas fitters and HVAC tradesmen-gas

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<sup>1</sup> An examination exemption is discussed later in the analysis.

fitters, may face reduced demand and lower prices for their gas fitting services due to increased competition.

Current and future licensed plumbers and HVAC tradesmen must pass a gas fitting qualifying exam in order to obtain a gas fitter license. After July 1, 2005, all individuals will need to pass a field relevant exam in order to obtain a liquefied petroleum gas fitter license or a natural gas fitter license. The proposed regulations specify that individuals applying for licensure as either a liquefied petroleum gas fitter or a natural gas fitter before July 1, 2005 shall be deemed to have fulfilled the examination requirements if they are able to demonstrate at least five years experience working under the supervision of a gas fitter. In other words, these individuals will be able to obtain licensure without passing an examination to demonstrate their field specific knowledge. If five years experience as an apprentice is sufficient for licensure without examination, then requiring the passing of a field relevant exam for after July 1, 2005 would produce wasted time and expense. If on the other hand, requiring the passing of a field relevant exam is necessary to ensure competence and protect the public, then the exemption from examination puts the public at undue risk.

## **Businesses and Entities Affected**

According to the Department of Professional and Occupational Regulation, there are 7,918 individuals currently licensed to perform gas-fitting work. The Liquefied Petroleum Gas Association expects approximately 1,000 individuals to register with the liquefied petroleum gas-fitting specialty, and natural gas companies expect about 1,000 people to seek natural gas fitting licensure.<sup>2</sup> All of these individuals are potentially affected by the proposed regulations. Additionally, any individuals considering licensure to perform natural gas fitting and liquefied petroleum gas fitting work, as well as consumers and businesses that sell products that involve gas fitting installation, are affected by the proposed regulations.

## **Localities Particularly Affected**

The proposed regulations potentially affect all localities in the Commonwealth.

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<sup>2</sup> Source: Department of Professional and Occupational Regulation

## **Projected Impact on Employment**

The creation of the two new trades will likely increase the number of individuals and businesses that provide gas-fitting services. Net employment for gas fitting may increase. Also, firms that sell products that require gas-fitting installation may be able to increase their sales with lower installation costs. If sales for such firms do increase, then employment may increase at these businesses as well

## **Effects on the Use and Value of Private Property**

Businesses that currently do not offer liquefied petroleum or natural gas fitting may begin to offer one or both of the services due to the proposed regulations. The increased supply of gas fitting services may result in lower market prices for the services. Firms or individuals that purchase liquefied petroleum or natural gas fitting services would see their costs reduced, potentially increasing their net value. Businesses that sell products that require gas-fitting installation may be able to increase their sales with lower installation costs, consequently increasing the firms' profits. The value of businesses that currently offer liquefied petroleum or natural gas fitting services may be reduced if the market price for their services is reduced by increased competition.